

Message Text

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E.O. 11652: N/A

TAGS: ECON, EIND, EPAP, GB

SUBJ: SOGACEL PAPER PULP PLANT

1. IN ADDRESS TO DIRECTORS OF SOGACEL (SOCIETE GABONAISE DE CELLULOSE) MARCH 7, PRESIDENT BONGO EMPHASIZED THAT SOGACEL IS SECOND NATIONAL DEVELOPMENT PRIORITY, AFTER TRANSGABON RAILROAD. BONGO'S DISCOURSE INCLUDED A REBUKE TO PESSIMISTS WHO PREDICT DEMISE OF SOGACEL AND AN ANNOUNCEMENT OF INCREASED CAPITALIZATION.

2. BONGO PLACED BLAME FOR CURRENT PESSIMISM ABOUT SOGACEL ON FOREIGN PRESS AND ON GOG'S RELUCTANT PARTNERS IN SOGACEL WHO HAVE BEEN DISCOURAGING NEW INVESTORS. PARTNERS ACCUSED OF BAD FAITH IN DEALINGS WITH GOG.

3. TO RECTIFY SITUATION, BONGO ANNOUNCED AN INCREASE IN GOG'S INVESTMENT FROM 40 TO 50 MILLION CFA (\$166 THOUSAND TO \$208 THOUSAND). GOG ALREADY OWNS 63 PERCENT OF SOGACEL. BONGO ALSO COMMITTED "MAJORITY" OF PID (PROVISION POUR INVESTISSEMENTS DIVERSIFIES) FUNDS OF NEXT THREE YEARS TO SOGACEL. ADDITIONAL CAPITAL WILL BE PROVIDED BY FRANCE IN FORM OF 300 MILLION CFA (US \$1.2 MILLION) LOAN FROM COFACE AND AN UNDISCLOSED AMOUNT FROM CANADA.

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4. COMMENT: IT APPEARS THAT PRESENT AUSTERITY WILL SLOW DOWN BUT NOT HALT SOGACEL PROJECT. GOG HAS PROBABLY CHOSEN WISELY IN PLACING SOGACEL AS SECOND DEVELOPMENT PRIORITY. SOGACEL WILL UTILIZE GABON'S ONLY VALUABLE RENEWABLE RESOURCE - WOOD. IT WILL ALSO ALLOW EARLY UTILIZATION OF TRANSGABON WHICH WILL REACH FACTORY

SITE BY LATE 1978. BONGO'S OPTISMISTIC STATEMENTS WILL
HOPEFULLY HAVE INTENDED EFFECT AND GET PRIVATE FUNDS
COMMITTED TO PROJECT. PRESIDENTIAL INTERVENTION HAS
COME NONE TOO SOON. WORK ON SOGACEL HAS VIRTUALLY COME
TO A HALT. BOTH EUROPEAN AND AFRICAN PERSONNEL HAVE
BEEN LAID-OFF. THERE ARE PRESENTLY LESS THAN FIFTY
PEOPLE AT THE FACTORY SITE.

5. MORE DETAILED REPORT ON SOGACEL WILL FOLLOW BY
AIRGRAM.TIENKEN

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